



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 6, 2002

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FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF CORONER FISCAL REVIEW**

We have completed a review of the Department of the Coroner's (Coroner) fiscal operations. Our review focused on evaluating the Coroner's internal controls and compliance with County fiscal policies and procedures in key areas such as revenue/cash, expenditures, procurement, and payroll/personnel. We also reviewed the Department's budgetary performance, trust fund, and gift shop operations.

Summary of Findings

Budget Compliance

The Coroner operated within its budget with only minor budget variances for the three-year period ending June 31, 2001.

Administrative and Financial Controls

The Coroner needs to improve its administrative and financial controls in several areas including procurement, revenue and cash handling, payroll/personnel, trust fund oversight, equipment accountability, operation of its Skeletons in the Closet gift shop, and processing of tissue harvesting requests.

We recognize that, as a small department, the Coroner cannot always implement the optimum system of checks and balances that would be expected in a larger department. Nevertheless, the Department needs to strengthen its monitoring and supervision of financial operations.

We also noted that when the Department evaluated its internal controls using the Internal Control Certification Program (ICCP), controls were certified as being in effect when they were not. Many of the internal control weaknesses discussed in this report could have been identified and corrected if the Department had properly completed the ICCP as required. The self-assessment process is an important financial oversight tool for management and the Coroner needs to give it a higher priority.

The following are examples of areas where improvements can be made in the Coroner's administrative and financial control practices.

Procurement

We noted several areas where the Coroner needs to improve its compliance with County purchasing requirements. For example, the Department does not always obtain the required vendor price quotes for non-agreement purchases to ensure the Department receives the best available prices and terms on goods and services. In addition, the Department does not always order items covered by County purchasing agreements from the agreement vendors. As a result, for seven purchases, the Department paid a total of \$1,300 more than the agreement prices.

Commitments

Commitments are funds reserved to pay for goods/services that are ordered in one fiscal year, but not received until the next year. The Coroner should have cancelled some commitments, but instead kept them on the books longer than needed. We also noted that the Coroner does not always maintain documentation to support the need for all commitments. Leaving unneeded commitments on the books understates year-end fund balance available to help finance the County's following year's operations.

Revenue and Cash Controls

To maximize revenue, departments should bill for services, follow up on unpaid accounts and refer delinquent accounts receivable over \$50 to the Treasurer and Tax Collector (TTC). The Coroner was not billing for services to some government units (e.g., the District Attorney, Highway Patrol, etc.). In addition, the Department does not refer delinquent accounts to TTC as required by the County Fiscal Manual.

The Coroner also needs to improve its cash handling procedures to provide adequate safeguards over its cash collections. For example, Coroner management should ensure that no one individual controls all key aspects of a transaction by requiring an individual independent of the cash collection, receipting and depositing functions to

reconcile daily receipts to collections. In addition, Department management should consider centralizing the processing of all collections and ensure that individuals having billing and receivable responsibilities do not receive payments.

Trust Funds

The County Fiscal Manual requires unrestricted donations to be deposited directly into the County General Fund. We noted the Coroner does not always follow this procedure. Also, one of the Department's trust funds should be closed and the Department needs to reconcile its list of amounts held in trust for decedents to the amount shown in the Auditor-Controller's records. The Coroner also needs to obtain Board approval for transfers of unclaimed decedent monies to the General Fund after complying with the advertising requirements.

Payroll / Personnel

The Coroner needs to improve its monitoring over payroll operations. We identified a number of instances where employee timecard data was entered inaccurately into the County payroll system, resulting in employees being under and over paid. The Coroner also needs to improve its coding of employee workers' compensation benefits and sick time leave. We noted overpayments totaling \$5,300 and under payments totaling \$400. In addition, the Department's security controls over payroll need to be strengthened. For example, the Department needs to establish processing centers to prevent payroll/personnel staff from having access to their own payroll/personnel data.

Portable Equipment

Portable equipment are items that can be easily moved or carried. Because of the risk of loss, the County Fiscal Manual requires that departments keep accurate records of portable equipment and conduct a physical inventory of the equipment every year. The Coroner has not done the required inventory in four years.

Skeletons in the Closet Gift Shop

The Coroner operates a gift shop called Skeletons in the Closet (Skeletons), which sells novelty gifts and apparel. We noted that the Department does not monitor the financial results of Skeletons. Our analysis determined that, for FY 2000-01, the gift shop incurred an operating loss of approximately \$100,000. This could be the result of many factors, including lack of demand, improper pricing, gifts of merchandise, unaccounted for inventory and cyclical variations. The Coroner needs to improve its controls over the Skeletons' inventory and the store's cash handling procedures, including ensuring that checks are restrictively endorsed upon receipt. Management should also measure the store's profit or loss at least semi-annually and take appropriate actions to ensure a profit. In addition, the Department needs to establish a separate fund for Skeletons to help monitor financial results.

Tissue Harvesting Consents

State law requires the Coroner to obtain and keep documentation of consent from the next of kin for tissue donations. We reviewed 28 tissue donation cases, and found that the Coroner did not have documentation of consent for 12 (43%) of the cases. The Department needs to ensure it obtains and keeps a record of consents for all tissue donations.

Details of these and other audit findings and recommendations are included in the attached report.

Acknowledgment

We thank Coroner management and staff for their cooperation and assistance during our review. We discussed the results of our review with Coroner management. The Department's written response (attached) indicates general agreement with our recommendations, and that the Department has taken action to address 30 of the administrative and financial control weaknesses identified in this report. The Department also indicated that they will provide a detailed response to the report within 30 days.

If you have any questions regarding this report, please contact me or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR:js
Attachment

c: David E. Janssen, Chief Administrative Officer
Anthony Hernandez, Director, Department of Coroner
Lloyd W. Pellman, County Counsel
Violet Varona-Lukens, Executive Officer
Public Information Officer
Audit Committee

Los Angeles County Department of Coroner



Fiscal Review

May 2002

Prepared by:
Department of Auditor-Controller

Department of Coroner
Fiscal Review

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Department of Coroner
Fiscal Review

Comments and Recommendations

Background

The Department of Coroner is responsible for investigating violent, sudden or unusual deaths in the County, including homicides, suicides, accidental deaths and natural deaths where the decedent was not seen by a physician within 20 days prior to death.

In fiscal year (FY) 2000-2001, the Department investigated 19,000 deaths at a Net County Cost of \$15.4 million. The Department's budget for FY 2001-02 is \$16.0 million. The Department has approximately 210 employees who work at the Forensic Sciences Center, near LAC+USC Medical Center, and two satellite locations.

Budgetary Control and Adherence to County Budget

In examining the Department's adherence to its General Fund budget, we compared the Department's actual financial results to its adjusted budget for fiscal years 1998-99, 1999-00, and 2000-01. The results are summarized below:

Budget to Actual Financial Results
Fiscal Year 1998-99

	Budget	Actual	Over or <Under> Budget
Revenue	\$ 2,011,000	\$ 1,794,622	\$ (216,378)
Intrafund Transfers	55,000	60,973	5,973
Expenditures	14,562,000	14,217,632	(344,368)
Net County Cost	\$ 12,496,000	\$ 12,362,037	\$ (133,963)

Budget to Actual Financial Results
Fiscal Year 1999-00

	Budget	Actual	Over or <Under> Budget
Revenue	\$ 2,143,000	\$ 2,030,046	\$ (112,954)
Intrafund Transfers	51,000	60,149	9,149
Expenditures	16,626,000	16,296,911	(329,089)
Net County Cost	\$ 14,432,000	\$ 14,206,716	\$ (225,284)

Budget to Actual Financial Results
Fiscal Year 2000-01

	Budget	Actual	Over or <Under> Budget
Revenue	\$ 2,038,000	\$ 1,832,498	\$ (205,502)
Intrafund Transfers	62,000	72,696	10,696
Expenditures	18,094,000	17,602,634	(491,366)
Net County Cost	\$ 15,994,000	\$ 15,697,440	\$ (296,560)

Overall, the Department has experienced relatively minor budget variances and operated within its budgeted NCC.

County Internal Control Certification Program

County Code Section 2.10.015 requires County departments to annually evaluate their fiscal controls using the Internal Control Certification Program (ICCP). The ICCP program is intended to give departments the ability to assess their own internal controls and take corrective action to ensure compliance with County policies and standards.

When the Department evaluated their fiscal controls using the ICCP, they certified controls were in effect when they were not. Many of the internal control weaknesses discussed in this report could have been identified and corrected by the Coroner if the Department had properly completed the ICCP as required.

Recommendation

- 1. Coroner management ensure that the ICCP is completed accurately.**

Procurement

The Coroner's Procurement unit is responsible for purchasing services and supplies for the Department, including reviewing requisitions, obtaining price quotes, reviewing invoices for accuracy and comparing invoices to purchase orders and receiving reports before authorizing payment. The Coroner's Services and Supplies budget is approximately \$2.7 million per year and Procurement processes over 2,600 payment vouchers a year.

Non-Agreement Purchases

County guidelines require that purchases over \$5,000, from vendors who do not have an agreement with the County, be submitted on a requisition to the Internal Services Department (ISD). The guidelines also require departments to obtain at least three price quotes for purchases between \$1,500 and \$5,000.

The Coroner does not always adhere to County purchasing guidelines. We sampled 30 non-agreement purchases and noted:

- Seven non-agreement purchases included items covered by existing agreements. As a result, the Coroner paid \$1,305 more than the agreement prices.
- For 13 purchases over \$1,500, the Coroner did not obtain the required number of vendor price quotes.
- One purchase for \$5,100 was not processed through ISD.

By not using agreement vendors and not obtaining price quotes, the Coroner may pay more for supplies/services than necessary. In addition, the Coroner should ensure that purchases in excess of the Coroner's delegated authority are processed through ISD.

Recommendations

Coroner management ensure:

- 2. Agreement items are purchased from agreement vendors.**
- 3. Price quotes are obtained in accordance with ISD's purchasing guidelines.**
- 4. Purchases from non-agreement vendors in excess of \$5,000 are processed through ISD.**

Regularly Purchased Items

To help reduce County cost, ISD negotiates purchasing agreements to obtain favorable terms for commonly used items. ISD purchasing rules require departments to monitor and notify ISD of items that are purchased regularly that may warrant having an agreement. ISD indicated that annual purchases from a single vendor of \$15,000 or more should be reported to ISD for possible inclusion in an agreement.

The Coroner does not report regularly purchased items to ISD. We noted that during FY 99-00, the Coroner made 72 non-agreement purchases from two vendors totaling \$81,115, for the Department's Skeletons in the Closet gift shop merchandise. In

addition, the Forensic Support Division made 17 purchases for autopsy supplies and equipment from one vendor totaling \$15,047. None of these items were reported to ISD.

Coroner management should monitor regularly purchased items and notify ISD of items where a vendor purchasing agreement may be warranted.

Recommendation

- 5. Coroner management monitor regularly purchased items and notify ISD of items where a vendor purchasing agreement may be warranted.**

Agreement Purchases

Fiscal Manual Section 4.3.1 requires departments to verify that prices charged by agreement vendors are correct. We selected 15 agreement purchases to determine whether the Coroner paid the correct price for each item. For 12 (80%) of the purchases, the invoices referred to a price list that Procurement staff did not have on hand. Without the price lists, Procurement staff cannot verify that vendors are providing goods at the agreed-upon prices. As a result, the Coroner paid a total of \$300 more than the agreement prices in four (27%) of the purchases we reviewed.

In addition, for two (13%) purchases, Procurement staff used an agreement purchase order to purchase items not covered by the agreement. In these instances, Procurement staff should have tried to obtain lower prices through the use of vendor solicitations.

To ensure that the Department pays the lowest price possible for goods/services, the Coroner should require Procurement staff to maintain a complete file of agreements used by the Department, including applicable price lists. Before approving payments, Procurement staff should compare invoice prices to the agreements. In addition, the Coroner should ensure Procurement staff obtain vendor solicitations when purchasing items not covered by a vendor agreement.

Recommendations

Coroner management ensure that:

- 6. Procurement works with ISD to maintain a complete file of County purchasing agreements used by the Department, including applicable price lists, and that Procurement compares invoice prices to the price lists before approving payments.**
- 7. Procurement staff obtain vendor solicitations when purchasing items not covered by a vendor agreement.**

Purchase Approvals

Fiscal Manual Section 5.1.1 requires that purchases be approved before the items are ordered. This internal control reduces the risk of unauthorized purchases.

The Coroner does not always require approved purchase requisitions before ordering items. We tested 51 purchases and found 10 (20%) that could not be matched to an approved purchase requisition. It is possible that some of these purchases had been approved, but Procurement staff could not locate the signed requisitions.

To strengthen purchasing controls, Coroner management should ensure Procurement staff do not order items without an approved requisition and that the approved requisitions are filed with other payment documentation.

Recommendation

- 8. Coroner management ensure Procurement staff do not order items without an approved requisition and that the approved requisitions are filed with other payment documentation.**

Timeliness of Payments

Fiscal Manual Section 4.3.8 states that vendors should be paid within 30 days of receipt of the invoice. To maximize County cash flow, departments normally should not pay vendors earlier than 30 days, unless there is a discount or the vendor requires earlier payment. The Fiscal Manual also requires vendor invoices to be date stamped when received and marked paid after payment is made to prevent duplicate payments.

We reviewed 45 vendor payments and noted that the Coroner is not making payments in accordance with County policy. Twenty-four of the invoices were paid an average of 28 days late and 21 invoices were paid an average of ten days before the due date.

We also noted that eleven (24%) of the 45 invoices were not date stamped when received and 14 (27%) of 51 invoices reviewed were not marked "paid".

Coroner management should ensure that vendor payments are made in accordance with the invoice terms or within 30 days as required by the Fiscal Manual. Management should also require staff to date-stamp invoices when received and mark invoices "paid".

Recommendations

Coroner management ensure that:

- 9. Payments to vendors are made in accordance with the invoice terms or within 30 days.**

- 10. Vendor invoices are date stamped when received and marked “paid” after payment is made.**

Contracting Ordinances

In 1999, the Board of Supervisors adopted two contracting ordinances: Living Wage for Proposition A (Prop A) contracts and Cafeteria Services contracts and Contractor Debarment. Department staff are responsible for monitoring contractors' compliance with the Living Wage ordinance and following the procedures required in the Debarment ordinance.

Overall, our review indicated that the Coroner adequately monitors contractors' performance. However, discussions with Coroner management revealed that they are not monitoring contractor compliance with the Living Wage for their one Prop A contract. The Coroner also has not entered any contractor information into the County-wide monitoring system as required by the Debarment ordinance.

Recommendation

- 11. Coroner management monitor Proposition A contractor's compliance with the Living Wage and enter contractor information into the County-wide database as required by the Debarment ordinance.**

Commitments

Commitments are funds reserved to pay for goods/services that are ordered in one fiscal year, but not received until the next year. Leaving unnecessary commitments on the books understates the year-end fund balance available to help finance the following year's budget. County Fiscal Manual Section 4.3.1 requires departments to review outstanding commitment balances and cancel any that are not needed.

At the beginning of FY 2000-01, the Coroner had 15 commitments totaling approximately \$335,000. Our review of these 15 commitments disclosed the following:

- Four commitments totaling \$4,930 should have been cancelled because the final payments were made in prior fiscal years. In one instance, the final payment was made in FY 95-96. However, since the final payments were marked as “partial”, the balance of \$4,930 remained as an ongoing commitment. If the Coroner marked the payments as final, CAPS would have automatically cancelled the remaining balance.
- Commitments totaling \$62,906 should have been set up as accounts payable since the goods and services were received during FY 98-99.

- The Coroner could not provide supporting documentation for two commitments, one from FY 95-96 and one from FY 98-99, totaling \$36,124. It is apparent that these commitments are no longer needed.

Management should ensure that commitments are carefully reviewed to determine the amount that should be carried forward into the next fiscal year and that amounts no longer needed are cancelled. In addition, the Department should ensure that it keeps documentation to support all commitments.

Recommendations

Coroner management:

- 12. Ensure that commitments are carefully reviewed to determine the amount that should be carried forward into the next fiscal year and that amounts no longer needed are cancelled.**
- 13. Maintain documentation to support all commitments.**

Trust Funds

Trust funds are used to account for monies held by the County as trustee, custodian or agent for other parties or for donations for specific purposes. Trust funds should be controlled and used in compliance with the authority and purpose of the fund. The Coroner has trust funds for decedent funds and donations. As of June 30, 2001, the Coroner's trust funds had a total balance of approximately \$300,000.

Use of Trust Funds

Trust funds should be used for the purpose of the specific fund. When the need for a trust fund ends, the fund should be closed and the remaining balance disbursed in accordance with the fund requirements. In addition, trust funds should not be used for monies that should be deposited directly into the County General Fund.

Our review disclosed the following issues with the Coroner's trust funds:

- The Coroner established a trust fund to account for an unrestricted donation from Pacific Coast Tissue Bank. The fund is also used to deposit Skeletons in the Closet shop proceeds, Youthful Drunk Driving Visitation Program (YDDVP) and speaking engagement donations. The monies received are not transferred to the General Fund, except to pay for Skeletons merchandise purchases and Skeletons and YDDVP expenses.

Commingling funds makes it more difficult to account for them and increases the possibility that the revenues will not be properly recorded in the General Fund in a timely manner. In addition, Fiscal Manual section 2.4.1 indicates that unrestricted donations should be deposited directly into the County General Fund and should not be deposited into a trust fund. Leaving unrestricted donations in a trust fund beyond the end of the fiscal year understates the Department's revenue and the amount available to fund the following year's operations.

- A trust fund was set up for donations to create a "clean room" for tissue extraction, which was completed in 1991. However, the trust fund was never closed and the monies remaining in the trust fund have not been transferred to the General Fund. As of June 30, 2001, the trust fund balance was \$2,740.
- The Department's Decedent Trust Fund, which was established to account for monies taken from decedents, is also used to temporarily account for revenue from Coroner sponsored seminars. Commingling decedent funds and revenue from seminars makes it difficult to maintain accurate records over both types of receipts.

Coroner management should deposit unrestricted donations, Skeletons, YDDVP and speaking fee proceeds directly into the County General Fund. Management should also ensure that when a trust fund's purpose no longer exists, the remaining balance is transferred to the appropriate recipient (e.g., General Fund, returned to the donor, etc.) and the trust fund is closed

Recommendation

- 14. Coroner management deposit unrestricted donations, Skeletons, YDDVP and speaking fee proceeds directly into the County General Fund and ensure that trust funds are closed and the balances transferred to the appropriate recipient when the funds are no longer needed.**

Transferring Unclaimed Decedent Monies

The Decedent Trust Fund is used to account for cash found in a decedent's possession. Money is held in the trust fund until claimed by the decedent's legal representatives. The Fiscal Manual states that, after three years, unclaimed monies should be transferred to the General Fund as Miscellaneous Revenue. State law requires Board approval for the transfers and that individual amounts over \$15 be advertised prior to transfer.

We found that the Coroner transfers decedent funds without publishing the amounts or obtaining the Board of Supervisors' approval. Management indicated that they do not publish the amounts because they believe the cost of publishing would exceed the funds to be transferred. In addition, the Department was not aware of the requirement to notify the Board prior to transferring unclaimed monies to the General Fund.

In order to comply with legal requirements, Coroner management should advertise unclaimed funds before transferring the monies to the General Fund. Management should also obtain Board approval to transfer unclaimed decedent trust funds to the General Fund. In addition, to facilitate future transfers to the General Fund, Coroner management should seek County Counsel's assistance in determining whether the Coroner can obtain blanket Board approval to transfer unclaimed monies to the General Fund in situations where the cost to advertise exceeds the funds to be transferred.

Recommendations

Coroner management:

- 15. Advertise all unclaimed amounts over \$15 before transferring the monies to the General Fund.**
- 16. Obtain Board approval to transfer unclaimed decedent monies to the General Fund.**
- 17. Seek County Counsel's assistance in determining whether the Coroner can obtain blanket approval from the Board of Supervisors for future transfers to the General Fund in situations where the cost to advertise exceeds the funds to be transferred.**

Decedent Trust Fund Reconciliation

As of June 30, 2001, the Coroner's Decedent Trust fund had a balance of approximately \$250,000. The Coroner took over the Decedent Trust Fund from the Sheriff over 20 years ago. At that time, the Coroner did not reconcile the Sheriff's records of amounts held for individual decedents to the Trust Fund balance. The Coroner maintains a running balance and compares it to the Auditor-Controller's records on a monthly basis. Although the Coroner continues to maintain a detailed listing of amounts held for individual decedents, they do not total the listing and reconcile it to the Auditor-Controller's records.

To ensure the accuracy of the Coroner's Decedent Trust fund, the Coroner should total their listing of monies held for individual decedents and reconcile the total amount to the Auditor-Controller's records of the Trust Fund balance. Once a consistent unreconciled balance is obtained, the Auditor-Controller can assist the Coroner in bringing the account back into balance.

Recommendation

- 18. Coroner Management total their listing of monies held for individual decedents and reconcile the total amount to the Trust Fund balance on the Auditor-Controller's records.**

Revenue and Cash Controls

The Coroner bills and receives payments for a variety of services including transportation, lab tests, and copies of documents/photographs. Total collections for FY 2000-01 were approximately \$1.8 million.

Revenue Accruals

If a department provides a service in one fiscal year, but does not expect to receive payment until the next fiscal year, the amount of revenue to be received should be recorded as an account receivable. These revenue accruals ensure that revenue is reported in the year in which it is earned, regardless of when payment is received.

We reviewed the Coroner's revenue accruals and found that the Department accurately records its accounts receivable. However, as noted later in this report, the Coroner needs to improve its collection efforts on delinquent accounts receivable.

Cash Handling

County Fiscal Manual (Fiscal Manual) Section 1.1.3 requires departments to ensure adequate separation of duties over cash handling functions to reduce the risk of loss. Separation of duties includes having individuals independent of cash handling reconcile receipts to deposits to verify that all collections are deposited. Section 1.1.3 also requires that the processing of cash collections be centralized to the extent possible. In addition, when cash collections are transferred from one employee to another, a record (e.g., a receipt) should be kept to document the transfer of responsibility.

Departments should assign at least two employees to prepare a listing of all payments received in the mail, restrictively endorse all checks upon receipt, and forward the payments to the cashier for immediate receipting. The person responsible for reconciling collections to deposits should also receive a copy of the mail receipts listing. In addition, individuals maintaining receivable or billing records should not be receiving payments. The Fiscal Manual also suggests that cash registers be used for locations with a large number of over-the-counter collections.

We noted that the Coroner does not comply with the Fiscal Manual's cash handling requirements. Specifically:

- Customers are instructed to mail payments directly to employees in the divisions who prepared and sent the original invoice. These employees then receive payments. Since these employees keep the receivable records, they should not receive payments. In addition, these employees do not prepare a list of payments received in the mail.
- Checks are not restrictively endorsed until the end of the day. In addition, checks for laboratory work are not restrictively endorsed or deposited, but are held until the work is completed and a specific cost for services can be determined, which can take up to two weeks.
- A single mail clerk opens the mail. When an envelope is found to contain a payment, the payment is forwarded to the division that sent the bill for endorsement and receipt. The clerk does not prepare a listing of payments received, so no comparison is made between payments received and the amount deposited.
- The Central Cashiering unit does not use a cash register for over-the-counter collections. Fiscal Manual section 1.3.3 recommends cash registers for locations with a large number of transactions.

The lack of separation of duties and failure to restrictively endorse and deposit collections could result in a loss of funds. Coroner management should consider centralizing the processing of all collections in the Central Cashiering unit and assign staff to assist in the processing and recording of payments received through the mail. Centralizing the collection process will increase accountability over cash collections and help provide separation of duties by ensuring that staff who prepare bills do not receive payments.

Management should also ensure that checks are immediately restrictively endorsed and deposited and that no one individual controls all key aspects of a transaction by requiring that an individual independent of the cash receipting or depositing function reconcile daily receipts to collections, and ensure that a record is kept when collections are transferred from one employee to another. In addition, management should ensure that personnel performing billing and receivable functions do not receive cash collections.

Recommendations

Coroner management:

- 19. Consider centralizing the processing of collections in the Central Cashiering unit, with mail being opened in the presence of two individuals who prepare a list of payments received in the mail.**

- 20. Ensure that all checks are immediately restrictively endorsed and deposited.**
- 21. Require a cash register be used to account for all over-the-counter collections.**
- 22. Ensure accountability is established when collections are transferred from one employee to another.**
- 23. Ensure that personnel performing billing and receivable functions do not receive cash collections.**

Billing for Services

The Coroner does not have standardized procedures for billing and collecting fees, which results in the Department's revenue not being maximized. Specifically, we noted the following:

- The Department does not bill the County District Attorney's Office, the California Highway Patrol, or several other government agencies for services provided. While some services (e.g., expert testimony in criminal cases) cannot be billed, other services (e.g., photocopies, photos, etc.) may be billable. Coroner staff indicated that because these agencies have refused to pay in the past, the Department stopped billing the agencies.
- Field investigator death certificate fees and expert witness fees in civil cases are billed when staff report that the services have been performed. Because field investigators and other staff do not always notify the billing clerks when services have been performed, the Department may not collect for all services. In addition, the Department bills/collects for photo requests when the photos are picked up, rather than when they are ordered. Since photos are frequently ordered, but not picked-up, the Department incurs unreimbursed costs for the copies.
- The Department does not charge for Port of Entry Letters¹. Coroner staff indicated that it costs the Department \$17 to prepare each letter, which is higher than the amount charged by the Department of Health Services for the same service. Because Coroner management was concerned about the higher cost, management instructed staff not to bill for this service. Failure to bill for the letters results in approximately \$3,000 a year in lost revenue.

Coroner management should work with County Counsel to determine what services the Department can bill to other agencies and what action the Department can take with agencies that refuse to pay. The Department should then develop procedures to

¹ Port of Entry letters certify that a communicable disease did not cause the decedent's death and are often required when a body is transferred to another country.

ensure that the Department bills its customers for all billable services. In addition, management should reemphasize to staff who provide billable services the need to notify the central cashiering unit when services have been provided and monitor for compliance.

Recommendations

Coroner management:

- 24. Work with County Counsel to determine what services can be billed to various agencies and what action the Department can take with agencies that refuse to pay.**
- 25. Develop procedures to ensure that the Department bills its customers for all billable services.**
- 26. Reemphasize to staff who provide billable services the need to notify the central cashiering unit when services have been provided and monitor for compliance.**

Billing for Tissue Harvesting Expenses

Under an agreement between the Coroner and Tissue Bank International, a tissue harvesting entity, the Coroner bills Tissue Bank International to reimburse the Department for costs relating to tissue extractions that occur during the prior month. However, the Department does not keep a record of tissue extractions and relies on a Tissue Bank International's activity report to determine the number of cases to bill. As a result, the Department has no way to independently ensure that Tissue Bank International is properly billed for all tissue extractions.

Coroner management should develop a system to document all tissue extractions in order to ensure that Tissue Bank International is properly billed.

Recommendation

- 27. Coroner management develop a system to document all tissue extractions to ensure that Tissue Bank International is properly billed.**

Waiving Fees

The Coroner sometimes does not charge (waives) fees for decedents' families (e.g., in cases of financial hardship, etc.). However, the Coroner does not have written guidelines on when fees may be waived and what approvals are required. The Coroner also does not perform a financial evaluation to decide whether to waive fees. Fees are waived based on the judgment of the staff who review the documentation contained in the letter requesting the waiver. In one instance, we noted that a transportation

supervisor/billing clerk waived the Department's transportation fees without management approval.

Permitting staff to waive fees without written guidelines could result in fees being waived inappropriately. Coroner management should develop guidelines for waiving fees, including financial evaluation criteria and approval requirements, and monitor for compliance.

Recommendation

- 28. Coroner management develop guidelines for waiving fees, including financial evaluation criteria and approval requirements, and monitor for compliance.**

Collection of Delinquent Accounts

Fiscal Manual Section 9.1.2 requires departments to follow-up on delinquent accounts receivable. After departments have completed their collection efforts, they are required to refer accounts over \$50 to the Treasurer-Tax Collector (TTC) for additional collection efforts or write-off.

The Coroner's Accounting and Transportation Divisions are responsible for billing and collecting on accounts receivable. Both Divisions do limited follow-up collection efforts. If payment is not received, both Divisions send another copy of the bill stamped "past due notice." After three attempts, the Accounting Division files the bill away without referring the account to TTC. The Transportation Division stated it also sends several notices before filing the account away.

Coroner management should ensure that delinquent accounts over \$50 are referred to the Treasurer-Tax Collector as required.

Recommendation

- 29. Coroner management ensure that delinquent accounts over \$50 are referred to the Treasurer-Tax Collector.**

Payroll and Personnel

The County-wide Timekeeping and Payroll/Personnel System (CWTAPPS) allows departments to process personnel actions (e.g., hires, changes in employee status, terminations, etc.) on-line. It also maintains a variety of employee data (e.g., birth dates, hire dates, social security numbers, etc.) and employee work histories. CWTAPPS also automates the leave record keeping, including leave balances and the disposition of year-end leave balances.

Verification of Terminations on CWTAPPS

To ensure terminated employees are removed from the payroll and are not paid, someone independent of the person who enters terminations on CWTAPPS should trace the names of terminated employees to the Payroll Sequence Register for at least three consecutive months. Coroner staff informed us that this function is not performed.

While we did not find any employees who were paid after their termination date, Coroner management should ensure this important control is implemented.

Recommendation

- 30. Coroner management ensure someone with no payroll responsibilities traces terminated employees' names to the Payroll Sequence Register for at least three months after termination.**

Personnel Bonuses

County Code Section 6.10.040 states that an out-of-class bonus should be awarded to full-time permanent employees who perform the significant duties of a higher position, other than for training or as a result of an emergency. There are two types of out-of-class-bonuses.

Fiscal Manual Section 3.1.7 states that personnel sections should review employee work assignments to ensure only appropriate employees receive bonuses. Coroner management does not perform this function. Two (13%) of 15 employees we sampled continued to receive their bonuses after the bonuses should have been stopped, resulting in overpayments totaling \$1,324.

Coroner management needs to periodically review the work assignments of employees receiving bonuses to ensure eligibility.

Recommendation

- 31. Coroner management periodically review the work assignments of employees receiving bonuses to ensure eligibility.**

Timeliness of Entering Bonus Data

To ensure accurate payments to employees, departments must comply with Auditor-Controller deadlines for processing personnel and payroll bonus transactions into CWTAPPS. Failure to meet these deadlines could result in employee bonuses being paid late.

We reviewed 14 cases and found that employee bonus data was entered an average of 27 days late. Coroner management needs to ensure bonus transactions are entered into CWTAPPS by the Auditor-Controller deadlines.

Recommendation

- 32. Coroner management ensure bonus transactions are entered into CWTAPPS by the Auditor-Controller deadlines.**

Time Card Processing

Fiscal Manual Section 3.1.6 states that each quarter, someone independent of personnel and payroll should select a random sample of time cards and verify that the data was entered accurately on CWTAPPS. At the Coroner, this verification is not performed.

We selected a sample of 15 time cards and compared the information to CWTAPPS and Overtime Worked Report forms. We noted three discrepancies:

- One employee's time card and Overtime Report form showed five hours of overtime worked. However, eight hours were entered into CWTAPPS. This resulted in a \$119 overpayment.
- One employee's time card showed a night bonus, but the bonus was not entered into CWTAPPS. This resulted in a \$50 underpayment.
- One employee's time card showed overtime worked on five different days, but the overtime was coded one day later than worked in CWTAPPS. The employee's pay was not affected.

Coroner management needs to reemphasize to staff the need to enter timecard data accurately and follow-up with staff who enter data inaccurately. In addition, management should ensure that someone with no payroll or personnel responsibilities performs a quarterly review of a sample of time cards and verifies that the data was entered accurately in CWTAPPS.

Recommendations

Coroner management:

- 33. Reemphasize to staff the need to enter timecard data accurately and follow up with staff who enter data inaccurately.**
- 34. Ensure that someone with no payroll or personnel responsibilities performs a quarterly review of a sample of time cards and verifies that the data was entered accurately on CWTAPPS.**

Supplemental Warrants

Supplemental payroll warrants are issued when an employee is paid incorrectly (e.g., employee is underpaid) or needs an Emergency Salary Advance. Fiscal Manual Section 3.2.3 requires that someone independent of personnel and payroll verify that there is written approval for each supplemental warrant issued. At the Coroner, this verification is not performed.

While we did not find any inappropriate supplemental warrants, Coroner management should ensure that staff independent of personnel/payroll verifies that written approval exists for each supplemental warrant issued to ensure they represent a valid payment.

Recommendation

35. Coroner management ensure that staff independent of personnel/payroll verifies that written approval exists for each supplemental warrant issued.

Leave Accounting

Employees who are out on workers' compensation or extended sick leave are limited in how they can use their accumulated benefits. For example, once employees start using part-pay sick leave, they cannot use full-pay sick leave, unless specifically authorized by the department head. In addition, department payroll units must ensure that employees' pay is reduced based on the workers' compensation benefits they receive.

We reviewed the time records of 15 Coroner employees on extended sick leave and noted 18 exceptions (some employees had more than one exception):

- Four employees' pay was not reduced by the amount of workers' compensation benefits they received. This resulted in overpayments totaling \$4,840 and incorrect leave balances.
- Four employees were either coded with part-pay sick time or no pay status on a weekend in which they worked on one side of the weekend resulting in a \$433 underpayment and incorrect leave balances. In addition, two employees received full pay on weekends during their part-pay sick leave period, resulting in a \$630 overpayment and incorrect leave balances.
- Five employees were coded with part-pay sick leave before meeting the required five-day waiting period. This resulted in total overpayments of \$130 and incorrect leave balances.
- One employee received 100% sick time while using part-pay sick leave resulting in a \$78 overpayment. In addition, two employees went from part-pay sick leave to 100% sick leave without obtaining department head approval.

Coroner management needs to ensure that payroll staff are retrained on how to use employee leave codes, monitor for accuracy and follow up with employees who incorrectly code employee leaves. In addition, management should ensure that employees receiving part-pay sick do not use 100% time, unless specifically authorized by the department head.

Recommendations

Coroner management ensure that:

- 36. Payroll staff are retrained on how to use employee leave codes, monitor for accuracy and follow up with employees who incorrectly code employee leaves.**
- 37. Employees' pay is reduced by the amount of workers' compensation benefits they receive.**
- 38. Employees do not use 100% sick time once they begin receiving part pay sick leave, unless specifically authorized in writing by the department head.**

Security Profiles

Fiscal Manual Section 3.1.5 requires departments to limit CWTAPPS access to the scope of the employee's job responsibilities. We noted that one employee can make changes to both personnel and payroll information, although the employee's job responsibilities require access to only personnel information. Another employee's profile allows changes to all personnel information, although the employee's job responsibilities only require entering performance evaluation information. To strengthen security controls, Coroner management should ensure that employees' profile assignments are restricted to the scope of the employee's job responsibilities.

Recommendation

- 39. Coroner management ensure that profile assignments are restricted to the scope of the employee's job responsibilities.**

Processing Centers

Fiscal Manual Section 3.1.5 states that payroll/personnel sections should be set up so payroll and personnel staff do not have access to their own personnel/payroll information on CWTAPPS. Departments should set up CWTAPPS processing centers so that employees do not have access to their own data. At the Coroner, we noted that processing centers have not been established and the Department's eight payroll/personnel employees have access to their own data.

To strengthen internal controls over CWTAPPS information, Coroner management should set up CWTAPPS processing centers so that payroll/personnel employees do not have access to their own data.

Recommendation

- 40. Coroner management set up CWTAPPS processing centers so that payroll/personnel employees do not have access to their own data.**

System Security Policy

County Fiscal Manual Section 7.6.3 requires all employees with access to County computer data to acknowledge, in writing, that they have read and understand their security responsibilities. The Coroner does not have a formal, written security policy which employees sign acknowledging their responsibilities.

Recommendation

- 41. Coroner management adopt a formal, written security policy and require employees to sign acknowledging their responsibilities.**

CWTAPPS Reports

CWTAPPS generates 21 reports to assist managers in monitoring payroll/personnel operations. Many of the reports identify exceptions and departments are required to use the reports to ensure that employees are paid accurately. Department payroll staff should review the reports and document the disposition of each entry. The Payroll Supervisor should also review the reports each pay period to ensure that the exceptions are corrected, and sign and date the report as reviewed. From discussions with staff and an examination of the exception reports, we found that Coroner payroll staff does not review the CWTAPPS reports.

To ensure accurate payments to employees, Coroner management needs to ensure Payroll staff review and document their review of CWTAPPS reports and that the Payroll Supervisor reviews the reports to ensure exceptions are resolved correctly.

Recommendation

- 42. Coroner management ensure Payroll staff review and document their review of CWTAPPS reports and that the Payroll Supervisor reviews the reports to ensure exceptions are resolved correctly.**

Payroll/Personnel Errors

Our review of the Coroner's payroll and personnel section disclosed a number of over and under payments to employees. In addition, we found some employees' accumulated leave balances (e.g., sick time, vacation time, etc.) were incorrect. Coroner management needs to take action to correct the over and under payments and incorrect leave balances disclosed in our review.

Recommendation

- 43. Coroner management take action to correct the over and under payments, and incorrect leave balances disclosed in our review.**

Portable Equipment & Warehouse Controls**Portable Equipment**

Fiscal Manual Section 6.4 requires departments to control portable equipment, including keeping records of responsible individuals and taking annual physical inventories.

We noted that the Coroner does not keep records of its portable equipment and does not conduct the required annual inventory. The last portable equipment inventory was performed approximately four years ago. To ensure portable equipment items are properly accounted for, Coroner management should keep records of its portable equipment and perform annual physical inventories as required by the Fiscal Manual.

Recommendation

- 44. Coroner management keep records of its portable equipment and perform annual physical inventories as required by the Fiscal Manual.**

Warehouse Controls

Fiscal Manual Section 5.2.6 requires that perpetual inventory records be established for large inventories, with additions and reductions of inventory items recorded as they occur, to the extent practicable.

The Coroner has one central warehouse for all supplies. The Department previously used a handwritten logbook for the supplies inventory. However, this logbook has not been used for over a year. To evaluate the Coroner's controls over inventory, we attempted to reconstruct the inventory balance for one item that is highly susceptible to theft, Polaroid film. Our estimate indicated that the Department was short 90 packs of film.

The Coroner should ensure that accurate perpetual inventory records are maintained of all high dollar or high-risk items, conduct periodic physical inventories, compare the physical inventories to the perpetual records and investigate any material discrepancies.

Recommendation

- 45. Coroner management ensure that accurate perpetual inventory records are maintained of all high dollar or high risk items and conduct periodic physical inventories, comparing the physical inventories to the perpetual records, and investigating any material discrepancies.**

Controls over Vehicle Use and Gasoline Credit Cards

Many departments with County vehicles also have County gasoline credit cards. Departments need to have adequate controls to ensure that both the vehicles and gasoline credit cards are only used for authorized County business.

The Coroner has 25 vehicles assigned to it. The Department uses vehicle logs and Vehicle Trip Sheets to monitor the use of County vehicles. We reviewed the Vehicle Trip Sheets, which are used by drivers to document vehicle usage. The Sheets are supposed to be signed by the fleet supervisor when the vehicles are returned. We found that 618 (40%) of the 1,035 Vehicle Trip Slips were not signed by a supervisor. We also noted that the vehicle log sheets, which are used to record all trips by each vehicle, are not always completed. In addition, we noted that the log sheets are not always reviewed by supervisory personnel.

As noted earlier, the Coroner has 25 vehicles. However the Department has issued gasoline credit cards to 58 employees. Every full-time, permanent driver and forensic support staff has a credit card.

The incomplete vehicle usage records and assignment of credit cards to all drivers make it difficult to monitor vehicle usage and gasoline purchases. Management cannot compare gasoline purchases to the miles driven to ensure their reasonableness and detect unauthorized use.

To improve controls over vehicle and credit card usage, Coroner management should ensure that vehicle trip tickets and logs are properly completed. In addition, management should stop the practice of issuing credit cards to all drivers and reduce the number of credit cards to equal the number of vehicles. Employees who check out or are assigned a County vehicle should be issued a credit card. The employees should be required to document the miles driven and any gasoline purchases while using the vehicle. Supervisors should be required to compare the mileage and gasoline purchases for reasonableness and investigate questionable usage.

Recommendations**Coroner Management:**

46. Ensure that vehicle trip tickets and logs are properly completed.
47. Stop issuing credit cards to all drivers and reduce the number of credit cards to equal the number of vehicles.
48. Issue gasoline credit cards to employees who check out or are assigned a County vehicle and require employees to document the vehicle fuel level, miles driven and any gasoline purchases while using the vehicle.
49. Require supervisors to compare the miles driven, vehicle fuel level and gasoline purchases for reasonableness and investigate questionable usage.

Cellular Telephones**Cellular Telephone Inventory**

The Coroner has approximately 31 cellular telephones at an annual cost of approximately \$14,000 (excluding charges for calls made). The Procurement Section is responsible for the cellular telephones. County Fiscal Manual Section 4.5.2 requires departments to keep an inventory of cellular telephones and users.

We reviewed the Coroner's cellular telephone inventory listing and found that the correct user, phone number and serial number were not always reflected. In addition, we noted that two Coroner employees each had two County cellular telephones because they kept their old phones after they were given new ones.

Coroner management should ensure that its cellular telephone inventory records are kept accurate and that employees are assigned only one phone.

Recommendations**Coroner management:**

50. Maintain an up-to-date cellular telephone inventory as required by the County Fiscal Manual.
51. Ensure that Coroner employees are assigned only one cellular telephone.

Personal Calls

County Fiscal Manual Section 4.5.2 requires employees to review their cellular telephone bills and pay the County for personal calls within 30 days. Management should also review the bills to ensure that calls made are appropriate and personal calls are reimbursed.

While the Coroner distributes cellular telephone bills for employees to review, the Department does not have procedures to ensure that employees review their bills or reimburse the County for personal calls.

We reviewed a sample of 94 bills and found that 16 (17%) had not been returned by the users. We then selected the employee with the highest phone usage and did a detailed review of the bills. Each bill was signed by the employee indicating that none of the calls were personal. However, our review and discussions with the employee disclosed that at least \$100 of the calls were personal and should have been reimbursed.

Coroner management should develop procedures to ensure employees receive and review copies of their bills and reimburse the County for all personal calls. Management should also review “verified” bills to ensure that calls made are appropriate and personal calls are reimbursed. Coroner management should also consider taking disciplinary action against employees who falsely report the use of their assigned County cellular telephones for personal business.

Recommendations**Coroner management:**

- 52. Develop procedures to distribute copies of cellular telephone bills to employees and require employees to identify and reimburse the County for personal calls.**
- 53. Require supervisors to review bills to ensure that calls made are appropriate and that personal calls are identified and reimbursed.**
- 54. Consider taking disciplinary action against employees who use their assigned County cellular telephone for personal business without reimbursing the department.**

Other Issues**Tissue Harvesting Requests**

Coroner policy requires field investigators to ask the next of kin of a decedent about tissue harvesting and inform Tissue Bank International, if the next of kin has consented or declined to tissue harvesting. If the next of kin consents, the Uniform Anatomical Gift

Act requires a dated and signed written consent, proof of the existence of a recorded telephonic consent, or other documentation of consent before the removal and release of tissue from a body.

We found that the Coroner is not maintaining proof of consent for all tissue harvest cases. We reviewed 28 tissue harvest cases and noted 12 (43%) did not contain proof of consent.

Coroner management should ensure that it obtains and keeps proof of consent for every tissue harvest as required by the Uniform Anatomical Gift Act.

Recommendation

55. Coroner management obtain and keep proof of consent for every tissue harvest.

Skeletons in the Closet Gift Shop

The Coroner operates a gift shop called "Skeletons in the Closet" (Skeletons), which sells novelty gifts and apparel. Skeletons was established to support the Coroner's Youthful Drunk Driving Visitation Program (YDDVP). Skeletons has its own cashiering function separate from the other cashiering operations discussed earlier in this report.

- **Controls over Cash Collections**

We reviewed the cash controls of Skeletons and noted the following areas where the Coroner can improve the internal controls over the store's cash collections.

- The Fiscal Manual requires that checks be restrictively endorsed immediately. However, checks received at Skeletons are not endorsed until the end of the day.
- The Fiscal Manual states cash registers should be used to record over-the-counter collections in high volume areas. The Skeleton store clerk uses handwritten receipts to record over the counter sales.
- The Fiscal Manual states that two employees should open mail and record payments received in the mail. We found that the Skeletons store clerk opens the mail by herself and does not keep a list of payments received.

To safeguard cash collections, the Coroner should implement the controls required by the County Fiscal Manual.

Recommendations**Coroner management:**

- 56. Ensure all checks are endorsed upon receipt.**
- 57. Use a cash register to record over-the-counter collections.**
- 58. Require that mail containing payments be opened and recorded by two employees.**

- **Inventory Controls**

The gift shop inventory is kept in the store and two other storage locations. In November 2000, the Department began keeping inventory records on a perpetual basis, requiring each day's additions and reductions to be manually added or deducted from the inventory records.

We selected a sample of ten items and compared the quantity listed in the inventory records to the quantity on hand. We found that nine (90%) of the items tested did not match the quantity recorded in the inventory records. In six instances, we found no items on hand (e.g., coffee mugs, nightshirts), while the Coroner's inventory records indicated there were items in stock. In four instances, we found that the stock on hand exceeded the amount shown on the inventory records. For example, we found 70 business card holders, while the Coroner's inventory records showed only seven. Coroner management stated that the perpetual inventory system is still in development and does not have unique product numbers for each item. Items are inventoried based on their description.

To improve the accuracy of the perpetual inventory, Coroner management should assign a unique product number to each item. In addition, Coroner management should ensure that staff conduct periodic counts of the actual inventory, compare the count to the perpetual inventory records and investigate material discrepancies.

Recommendations**Coroner management:**

- 59. Assign a unique product number to each item.**
- 60. Ensure that staff conduct periodic counts of the actual inventory, compare the count to the perpetual records and investigate material discrepancies.**

- Gifts of Store Merchandise

Skeletons merchandise is purchased with County funds. However, Coroner management frequently gives items and gift certificates from Skeletons as gifts to departing employees or guest speakers. Over a four-month period, the Department donated over \$2,600 in merchandise. However, the Department does not have Board authority to make these gifts.

The Coroner should discontinue giving Skeletons merchandise and gift certificates without Board approval.

Recommendation

61. Coroner management discontinue giving gifts of Skeletons merchandise and gift certificates without Board approval.

- Financial Monitoring

The main purpose of the Skeletons in the Closet store is to generate a profit to offset the costs of the YDDVP. However, management does not periodically measure financial results to determine if the store is profitable. We performed an analysis for FY 2000-01 and found that the store actually had a loss of approximately \$100,000. This could be the result of many factors, including lack of demand, improper pricing, gifts of inventory, unaccounted for inventory, and cyclical fluctuations. In order to ensure that the store actually results in a profit, management should measure the store's profit or loss at least semi-annually and take appropriate actions to ensure a profit.

The process of measuring profit or loss can be greatly simplified by establishing a separate fund for the store. This would make financial information readily available.

Recommendation

62. Coroner management measure Skeleton's profit or loss at least semi-annually and take appropriate actions to ensure a profit.

- Store Location

The Skeletons in the Closet gift shop is on the second floor of the Coroner administration building. Access to the building is supposed to be limited and visitors are required to show identification and/or explain the purpose of their visit.

We noted that anyone who indicated they wanted to go to the gift shop was given access to the building. Once inside, people are allowed to travel unescorted to the second floor, which could result in a breach of security.

Recommendation

- 63. Coroner management establish controls to monitor visitor activity or consider relocating Skeletons in the Closet to a location that does not compromise building security.**



COUNTY OF LOS ANGELES

DEPARTMENT OF CORONER

1104 N. MISSION RD., LOS ANGELES, CALIFORNIA 90033



Anthony T. Hernandez
Director

L. Sathyavagiswaran, M.D.
Chief Medical Examiner-Coroner

May 2, 2002

TO: J. Tyler McCauley
Auditor-Controller

FROM: Anthony T. Hernandez
Director

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER'S FISCAL REVIEW**

The Department of Coroner is in general agreement with the 63 recommendations made in the report and your staff's findings on the status of recommendations from prior reviews on our Procurement Operations, Commitments, Revenue and Cash Controls, Trust , Payroll/Personnel, Portable Equipment and Skeletons in the Closet Gift Shop.

We have already implemented 30 recommendations. Prior to May 30th a response to each recommendation with the appropriate timeframes for implementation will be submitted to your office. On a quarterly basis, follow-up on outstanding recommendations will be conducted and accountable managers will submit documentation to the Audit Coordinator, Sarah Ahonima, Administrative Services Manager III.

We greatly appreciate your assistance in performing the review and identifying areas where our internal controls and overall fiscal operations can be improved. Your audit staff conducted the review in a professional and diligent manner.

If you have any questions regarding this response, please call me or your staff may contact Sarah Ahonima at (323)343-0784.

ATH:SA:ecl

c: Dr. Lakshmanan
DeWitt Roberts